

The Milk Strike Is Settled But The Milk Question Is Not

Public interest in the milk controversy, as recently evidenced by headlines taking precedence over war news and the Presidential election, is now rapidly waning with the resumption of the normal supply. Any advances in the retail price to the consumer may be resented, and this may give occasion for further popular abuse of the distributors, but any real public interest in ascertaining the causes behind the recent and costly milk war, the nature of the issues involved and the discovery of remedies which are calculated to prevent its recurrence is already diminishing. The consumer is tired of the subject,—all he wants is good milk, good service and a low price. The dairyman is rejoicing at his victory over the "Milk Trust," but is being warned by Commissioner Dillon that "this is only the beginning of a great fight, and we must go out for more which belongs to us." Both consumer and producer are content to go on blaming the dealer,—the one for charging too much for the milk and the other for not paying enough for it. Some of the newspapers will continue to refer to the dealers as the "Oppressor" of the farmer in the country and of the poor and sick in the city. Like all other mythical "Trusts," the distributor will be held responsible for all the ills, imaginary or real, suffered by the public. But while the subject still has some chance of holding a glimmer of public interest, and at the risk of making our story too long for the popular taste, we are going to summarize the situation as we see it, in the hope that an intelligent interest can be maintained until the "milk question" as distinguished from the "milk strike" is, if not settled for all time, at least pushed well on toward a settlement satisfactory to all.

First, as to some side issues which invariably crop up in times like the recent period of stress and which becloud the main issues. As one of the largest dealers, we are made the victim of the popular dislike visited on the "middleman." In the future we ask the fair-minded newspaper editor and the fair-minded man in the street to make some distinction between the middleman who has invested no money, or very little, in his business, who makes no contribution to a legitimate enterprise with which, more or less as a parasite, he is connected and whose only reason for existence is his ability to stand between producer and consumer for his personal benefit, and the middleman, who, like our Company, has an \$11,000,000 cash investment in the Eastern branch of its fluid milk business alone, and which, in this particular branch, employs thousands of men and women with an aggregate yearly pay-roll of about \$4,500,000, and which employs scores of veterinarians and inspectors to guard the health of its customers and which deals with a perishable food product under the strict regulations of the Health Department from the moment it is received from the dairymen at upward of 130 different bottling plants and receiving stations throughout New York and adjoining states until it is delivered a fit food for the people of this city and its environs. We have heard of no substitute for this kind of a middleman that offers any hope of bettering the existing method of milk collection, care and distribution short of State or Municipal ownership. The State or City would be the only competitor with whom we could not hold our own, for the reason that its losses would be merely an item that would go to swell the tax budget. But if the State or City takes this step it will have to take the next step also and go into the business of producing milk as well. Otherwise it may find itself in the same position unhappily occupied by the dealers during the recent milk strike. If the people want this solution they will have it. It will not be the first time private rights and ownership, acquired and encouraged with public approval, have been annulled for the good of the community as a whole, but before radical action of this kind is attempted it would be well to know what, if any, are the evils in the present system, and, if evils are found, whether annihilation of an existing industry is necessary to correct them and whether the suggested substitute will really operate to the advantage of the community as a whole.

Is the present method of milk distribution inefficient and uneconomical either absolutely or relatively, as compared with any substitute method that can lawfully be devised? If the present method cannot stand this test when fairly made, it will suffer the fate, and rightly so, of hand labor, for example, when put in competition with machinery. We believe that no food product is handled so directly, efficiently and cheaply as milk, and, further, we believe that under existing laws against combinations no substitute method can be devised that will offer any hope of actual improvement to the community as a whole. The great incentive to economy and efficiency that is found in the competition between 450 milk distributors, each fighting the other for the favor of the public as to service, quality and price, would be lost when the State or the City became not an imaginary "Trust" but an actual monopoly.

Second, as one of the largest distributors, we come in for our full share of the opprobrium that is popularly supposed to attach to a "Trust." As a matter of fact, if there were a better foundation for this charge an immediate advantage would accrue to both producer and distributor in the economies of lessened costs and increased volume of business conducted by the larger units. Government regulation and continued competition among a few big concerns would afford the necessary protection to the producer and consumer. If any such combination wants our fluid milk business at a cost of the cash we have invested in it, we will be glad to retire from this branch of our business. However, in the face of existing laws and perhaps of public sentiment, a combination of dealers is not practicable, and we will therefore meet this so-called "Trust" charge by saying that we welcome the opportunity of having it thoroughly investigated so far as our Company is concerned in the proceedings now pending before Referee Dykman or by the Wickes Committee, or in any other inquiry that may be instituted. In the proceeding before Referee Dykman, the Attorney-General for reasons which undoubtedly appear to him to be sound has elected to investigate first the "Trust" charge against the distributors, although the proceeding was originally instigated as a result of a charge that the Dairymen's League was the guilty party, and despite the fact that in the papers prepared by the Attorney-General it does not appear that any one made a "Trust" charge against the dealers. Moreover, from the newspaper accounts, a casual observer would undoubtedly gain the impression that the milk shortage was caused

by the refusal of the dairymen to ship milk until the owners of over 200,000 cows had their full demands accepted not as individuals but as an organization in control of the greater part of New York's milk supply. On this point we invite the public to observe the attitude of the parties in the proceeding before Referee Dykman, and to draw their own conclusions from such observation. As evidence that there is a conspiracy among the milk dealers of New York, Commissioner Dillon makes quite a point that these dealers own practically all of the pasteurizing plants available for this district, and therefore the producers must patronize them or forego the New York market. It will doubtless impress many as not unusual that all of the milk dealers have equipped themselves with pasteurizing plants in view of the regulations of the Board of Health on that subject, though it may come as a shock to some that most, if not all, of the dealers likewise own milk wagons, horses, milk bottles and other paraphernalia necessary to their business, and, what is still more sinister, very few people outside of the milk business have any of these things in quantities sufficient to supply satisfactorily New York's milk requirements.

Having mentioned the prejudice against the "middleman" without attempting to distinguish between the middleman who renders a necessary service at a fair profit and the middleman who renders no service or exacts an exorbitant profit, and having mentioned the "Milk Trust" bogey, we would now ask consideration of the more serious aspects of the situation.

First, is milk distributed as cheaply in New York as possible, having regard for quality and service? This involves two main points as far as the distributor is concerned,—costs and profits. Ever since we have been in business we have been subject to the keenest competition, and in spite of all our efforts our costs have constantly increased, and to a greater extent than the advances in the retail selling price, with the result that there has been a gradual reduction in our profits from this branch of our business. We will be glad to receive and adopt any reasonable suggestion that will cut down our costs, but most suggestions made thus far involve trade agreements or understandings with our competitors which are not allowed under existing Anti-Trust laws. We have already published our profits for the year ended June 30, 1916. We briefly repeat this statement, one-quarter of one cent upon each quart of milk handled during that year; or, put it another way, a return of about 3% on the gross business done; or, put it a third way, about 5% on the cash investment in this branch of the business. In other words, if our stockholders had had this investment, for example, in Anglo-French bonds, they could have avoided the risk which is incident to any commercial enterprise, and particularly so in the case of a business which handles a perishable food product, and still have been better off. We also repeat the figures showing what becomes of the difference between our average selling price per quart and the price paid the dairyman. These figures have been certified to by Haskins & Sells, Certified Public Accountants:

On all the milk purchased by our Farm Products Division from producers during the last fiscal year and sold to the public either as fluid milk, cream or in the form of butter or cheese, we realized an average selling price per quart of milk of		\$.0803
COST:		
Paid for Milk	\$.0369	
The costs of handling and selling such milk during said period were as follows:		
Factory Expense	\$.0126	
Freight	.0072	
Selling & Delivery Expense	.0201	
General Expense	.0009	
	.0408	
Total Cost	\$.0777	
The net profit per quart of such milk during said period was approximately only 1 cent	\$.0026	
Percentage of Profit on Net Sales	3.25%	

We are told by some of our friends that while they believe the truth of these figures, most people discount them as coming from a partial source, and we read in an evening newspaper an editorial in which the writer inferentially uses the short and ugly word and publishes the fact that we have a preferred capital stock of \$7,500,000 on which we pay 6%, and \$21,000,000 of common stock on which we pay 8%, as positive proof that the statement we made as to our profits is not to be relied upon, ignoring the question as to whether there were any profits from the other branch of our business, which includes the making and selling of condensed and evaporated milk and other products. The two branches are as separate and distinct as if they were owned and operated by separate corporations. The markets are different, the problems are different, the channels and processes of distribution are different, the management and operating personnel are different, and separate books and records are kept. The

figures we have published as to the fluid milk branch of our business, which is the only branch that affects the New York consumer and the only branch that is in competition with the other New York distributors, are correct, and we welcome the opportunity, we hope to have in the pending investigation now being conducted by the Wickes Joint Legislative Committee to establish the accuracy of these statements. Perhaps the editorial writer of the evening paper will say: "It makes no difference to the public how you make money enough to pay your dividends on that big capital, the fact remains you make the money or you couldn't pay it out." Our answer is: "Our big capital is necessary because of our big volume of business. Large volume means a proportionately greater plant equipment in the milk business than in most others because in the milk business the supply of raw material is limited at any given point, is subject to violent fluctuations dictated by the workings of nature, while the consumers' steady all year round requirements must be met irrespective of these production conditions. Milk by its nature forbids resorting to storage or other like manipulation to meet such conditions. That large capital is necessary is further indicated by the fact that our net profit from all branches of our business for the last fiscal year was but about 6% on the volume of business done. That our stock issue is not excessive and has real value behind it is proven by the fact that we have actual tangible investment in our business largely in excess of our total stock issue." The profits from the manufacturing branch of the business, which is not involved in this controversy, were sufficient to make up for the lack of an adequate profit in the fluid milk branch and enabled us to pay our dividends. To ask us to run one important line of business with no profit, or an inadequate profit as judged by ordinary commercial standards, because we have made a satisfactory profit in another line, is so unreasonable that we will leave the verdict on that point to the public.

Second. The consumer should inform himself as to costs and profits in the producing end of the milk industry. Is the same economy and efficiency practised generally on the dairy farms as we have been compelled to observe in order to survive the competitive conditions prevailing in the distributing end? We know that some of the dairymen have adopted modern dairying methods, used commercially productive cows only and prospered under the prices paid for milk before the product was taken out of the competitive field by the Dairymen's League. Some have done reasonably well, some have lost money and done badly. These will always be some that do badly, no matter what they receive for their milk. There is a certain percentage of failures in every industry where the wits and zeal and persistence of men are matched against each other.

Forgetting, however, the individual dairyman for the moment and looking at the situation from the broadest aspect, it is vital from the standpoint of the people as a whole that milk production and milk distribution be maintained on a plane of quantity and quality that will meet the demands of the people. The people must pay a price that will insure production and distribution on this plane. They should pay no more, and if they pay less they threaten the life of a great industry to their own detriment. This industry, however, must be conducted as nearly as possible in harmony with the all-controlling law of supply and demand. Any artificial device, whether it be a monopoly of production or a monopoly of distribution, should be resisted not only by those directly engaged in the industry but by the public. It was this big ideal for which we contended in the recent milk controversy. We stood against monopolistic methods and we stood for the principle of monthly prices to the producer and the consumer which would reflect natural market conditions. Our stand brought us condemnation in many quarters, but is already bringing us commendation from other quarters and even from many of the dairymen who at first supposed that we opposed them in their wish to organize for their own benefit, whereas our opposition was directed against the methods adopted to attain their objects and because we could secure no consideration by their representatives of economic principles calculated to stabilize the industry as a whole. We believe in the organization of the dairymen, provided such organization is compelled by law or public sentiment or better still, by the good business sense of its members to avoid unjustifiable practices to the same extent as we are compelled to "play the game" according to accepted rules. We believe in governmental regulation of the producers' organization and of the distributors. We believe that a law compelling all milk producers and milk distributors to keep accurate books of account showing detailed costs and profits

or losses, such records to be open to some public official such as the Department of Agriculture, and requiring the filing of periodic reports, would benefit the whole industry and remove the suspicion and distrust which now characterize the relations between producer, distributor and consumer. Even with our close acquaintance with the industry as a whole we have positive knowledge of our own business only and know very little of the real conditions which confront the dairyman. From this limited knowledge we believe that he was justified in demanding more for his milk. We know his costs have increased and we believe his profit has been inadequate. We blame ourselves for not keeping in closer touch with his problems and letting him know ours and acquainting him with the costs and profits of distribution, and above all, urging him to consider how vitally his interests are concerned in keeping down retail prices to the consumer in order that milk consumption may be increased rather than reduced and that milk may continue to hold its enviable position of furnishing more "food value" for the money than any other food product.

But even had there been established a complete understanding between us and our dairy patrons, that would not have resulted in a lasting settlement of the "milk question" for the consumer's viewpoint would have been left out of the reckoning. Therefore, we assert that some such law as we have suggested is desirable and all the facts in the situation should be made a matter of public record to the end that the interests of all may be protected.

Third, we suggest that the public give some thought as to whether its interests are not injured by acquiescing in the notion so alluring to certain types of politicians to make the "milk question" an instrument whereby their political ambitions may be furthered. In some years this tendency is more in evidence than others, but hardly a year passes that the attempt is not made by someone to create political capital out of the "milk question." These efforts always result in injecting added bitterness, suspicion and distrust into the relations between those directly and indirectly affected, but they either accomplish nothing or accomplish something for the particular interests intended to be favored to the detriment of the interests of those whose support is not needed.

The people should also consider whether it is wise to permit a public officer acting under a law which is intended to reduce the cost of living and which defines the measures he may lawfully adopt to accomplish this purpose to so identify his official position with the interests of one group that he ignores the interests of a larger group. The fact that the recent controversy between producer and dealer reached such an acute stage was largely due to the manner in which the producer's interests were represented by the Commissioner of Foods and Markets, who at all times obstinately ignored the broader responsibilities which the law imposed upon him. When the settlement was finally made with the Commissioner's approval, it differed from the settlement made some three days earlier by President Ball of the Dairymen's League only to the extent of leaving unsettled the disposition of seasonal surplus milk production, and of eliminating from the Committee which will arbitrate prices for January, February and March those members who under the Bill plan of settlement would have been appointed by Governor Whitman, Mayor Mitchell and Health Commissioner Emerson, the Merchants Association and others. Such appointees would have had in mind the interests of the people as a whole and a finding by such a Committee would have carried more weight as coming from a more representative body than the Committee directly and exclusively representing producers and distributors. The loss to the producer, distributor and consumer was prolonged by the Commissioner's activities for three unnecessary days, with the only result that he gained for himself in some quarters the credit which otherwise would have gone to a dairyman who had publicly criticized him.

In conclusion we urge the elimination from the "Milk Question" of ignorance, partial or complete; of false and boggy issues, of politics and personal ambitions and the substitution thereof of continued public attention to the real issues; fair newspaper treatment of both producer and distributor; the adoption of laws for the benefit of the consumer and the industry as a whole, requiring the public recording of costs and profits or losses of producers and distributors; the establishing of the plan of monthly prices for both buying and selling the interchange between the producers and distributors of information embracing all the factors of the business, so that the industry may be stabilized, the consumption of milk increased and better relations established between producer, distributor and consumer.

Borden's Farm Products Division